

## Real Estate taxation in Spain

### 1- Taxes associated with the purchase of Real Estate

➤ **PRIVATE PURCHASER (RESIDENT OR NON-RESIDENT):**

a. New or renovated real estate and lands

VAT: taxed at a rate of 10% for housing and 21% for commercial premises. The tax is paid together with the purchase price.

Registered Tax (AJD): taxed at a rate of 1.5%. Tax settlement to be paid within a maximum period of a month from the date of the transaction and always prior to the registration of the new ownership.

b. Second-hand real estate

Transaction Tax (ITP): tax rate 10% for purchases until 1.000.000 €. If the price is higher than 1.000.000 euros, up to 1,000,000 € will be taxed at 10% and the rest at 11%. Tax settlement to be paid within a month from the date of the transaction and prior to registration of the new ownership. These transmissions are exempt from VAT.

➤ **THE BUYER IS A COMPANY :**

The taxation is the same as for the above-mentioned "private purchaser" except that in this case, the sale of a second-hand property might be subject to VAT since the aforesaid exemption from VAT could be waived. For the waiver, the buyer must be a company or a taxable professional liable to VAT (not applicable to companies not established in Spain).

### 2- Taxation for ownership of Real Estate

➤ **INDIVIDUAL HOLDER (RESIDENT OR NON-RESIDENT):**

a) Personal Income Tax (IRPF) and Non-Resident Income Tax (IRNR)

Applicable Rate:

- I. Spanish residents: The income derived from real estate will be integrated into the general taxable income of the Personal Income Tax (IRPF) with a progressive rate of between 21.5% and 48%. The settlement period is annually.
- II. Residents in the European Union, Iceland and Norway: The income derived from real estate will be taxed at a rate of 19% as Non-Resident Income Tax (IRNR). The settlement period is annually for imputed rent, and on a quarterly basis for returns on capital assets.



- III. Rest of Non-Residents: Taxed as IRNR at the rate of 24% on the full value of the income derived from the real estate. The settlement period is the same as for residents of the European Union.

**Income derived from real estate:**

- I. Imputed rent: If the property is either the main residence, rented or used for an economic activity, it will be taxed in IRPF as imputed rent. To calculate the imputed rent, multiply the corresponding cadastral value by 2% (1.1% if it has been updated within the last 10 years). Unlike other real estate incomes, no expenses can be deducted or reductions be applied.
- II. Other real estate income: Income received by the owner of the property for the rent or other income arising from the constitution or assignment of these rights of use or enjoyment of the real estate. The taxed income will correspond to the aforesaid revenues after any legally established expenses have been deducted. Only Spanish residents and UE residents can deduct the expenses.

General tax reduction for housing rent for Spanish residents: Landlords of real estate intended as the habitual residence of the tenants are entitled to a 60% reduction on the net income.

b) Taxation on Real Property Tax (IBI)

This is a municipal tax subject to a tax rate of between 0.3% and 1.10% (in Barcelona 0.66%) of the cadastral value. Whoever is the owner of the property on January 1<sup>st</sup> in any given year, is the taxpayer (and debtor) of the tax, even if the transmission of the property takes place later on in the year.

c) Taxation on Property Tax

This is a tax assigned to the Spanish Regions (like Catalonia) with a tax exemption applicable to overall assets of up to €700,000 (in Catalonia up to €500,000). The settlement period is annually.

The tax rate will vary according to the tax base and will range between 0.2% and 2.5% calculated on the higher of the following values: cadastral value or acquisition value of the real estate.



➤ **THE OWNER IS A COMPANY:**

- I. Residents: The real estate revenues will be taxed in the Corporate Income Tax Return at a rate of 25%. All revenue-related expenses are deductible. The settlement period is annually.
- II. Non-Residents: Will be taxed in IRNR
  - Residents in the European Union, Iceland and Norway: 19%. The settlement period is quarterly for real estate capital revenues.
  - Other non-residents: 24%. The settlement period is the same as for residents of the European Union.
  - Residents in tax havens: additional tax of 3% of the cadastral value of real estate not assigned to any economic activity (rented or for personal use). Annual settlement period.

### **3- Taxation on the sale of the property**

➤ **THE SELLER IS A NATURAL PERSON (RESIDENT OR NON-RESIDENT):**

**a) IRPF and IRNR Taxation Applicable Rate:**

- I. Residents: If there is a gain or loss obtained from the transfer of the real estate, it will be integrated and compensated with the other gains and losses that the taxpayer had during the year, in the income tax return. If the result is positive, it will be integrated into the Taxable Base of Savings and will tax at a rate of between 19% and 23%. The settlement period is annually.
- II. EU Residents: will be taxed in IRNR at a rate of 19%.
- III. Non-Residents: will be taxed in IRNR at a rate of 19%.

\*Note: if the seller is a non-resident, the buyer is required to withhold 3% of the price of the sale and the seller's IRNR tax return must be made within 4 months from the date of sale.

**b) Tax on the Increase in the Value of Urban Land**

This tax is imposed on the increase in the value of the urban land since its acquisition by the seller. It is calculated on the cadastral value at the time of the sale with a percentage and rate of tax set by each City Council. In Barcelona the tax rate can range from 2.8% to 4%.



The payment must be made within 30 business days from the date of transmission. The obligation to pay the tax is on the seller unless the seller is non-resident, in which case the tax must be satisfied by the buyer.

It is important to notice that according to the recent doctrine and jurisprudence, this tax should only be paid when the property has had an increase in value. Therefore, this tax should not be paid when there are losses in the sale, although a special procedure should be followed to obtain the necessary documentation that exempts the taxpayer from the transfer's tax.

➤ **THE SELLER IS A COMPANY:**

I. Residents:

Corporate Income Tax (IS): taxed 25% as part of their Corporate Income Tax on the gain made from the sale.

IIVTNU: same taxation as for natural persons.

II. Non-residents:

IRNR: taxed in the IRNR at 19%. The tax settlement must be made within 4 months from the date of the sale.

IIVTNU: same taxation as for natural persons.

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